

# Some dairies closing while they still have equity



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(Photo: David Castellon)

TIPTON — Jack Mendonsa paid a bargain price for the 88 head of dairy cows he bought Tuesday at the Martin Dairy.

But the Delano dairyman wasn't feeling good about the windfall, because he was among about 40 dairy operators here attending a "complete dispersal" auction of the dairy, in which the owners sold off all 750 head of cattle in their operation.

Manuel Martin started the dairy back in 1946, "from nothing," family members said.

While they would like to carry on his legacy, the aging siblings who own the dairy have no younger relatives interested in taking over the family business.



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But their decision to walk away from operating a dairy and to sell off their cattle was less about family issues and more on the state of the dairy industry here and across California, where dairies get some of the lowest prices in the country for their milk.

In fact, dairy operators here and across the country have been dealing with depressed prices since 2009, with their only respite being a jump in prices per hundred weight — 100 pounds of milk — that lasted only a few months in 2014.

Since then, prices have dropped, staying well below what it costs to produce milk.



An auction was held Tuesday for 750 head of cows at the Martin Dairy in Tipton. After years of low milk prices, the family that owns the dairy opted to get out of the business before losses cost them any more equity. (Photo: David Castellon)

As a result, in the past decade, about 600 California dairies have shut down — 32 just last year — and some in the industry say a lot more could shutter this year, as 2016 is shaping up to be one of the worst financially for dairies.

Mendonsa, whose herd currently numbers about 3,000 cows, said he has been to about 15 to 20 dairy auctions in the past 90 days, and based on how the local industry is doing, “We’ll still probably see another 15 or 20 of these sales — maybe 30” this year in the Valley alone.

Certainly none of this is new, considering dairy operators have been operating in the red for years, as the prices paid for their milk has mostly come short of production costs.

Currently, the price paid for California milk — set each month by the state’s Secretary of Agriculture — is about \$13 per hundred weight. The average cost to produce that amount of milk is \$19.74, according to the California Dairy Campaign.

Dairy operators contacted at the Tipton dairy auction reported their production costs average about \$2 less than the Campaign’s average. But the difference still deals owners a major financial blow.

“It’s terrible, people running out of money to pay bills, vendors and stuff,” Mendonsa said.

While many dairies have gotten loans and credit to stay afloat, banks are less inclined to do that these days with the industry’s ongoing pricing problems.

“The banks, they’ve got no mercy. They’re not going to put bad money after bad money,” said Joe Machado, who operates an 1,100-head dairy near Hanford.

Dairy operators who leased their land and weren’t in good financial shape were the first to fold, often because their banks foreclosed on them.

But that has changed, as a growing number of dairies shutting down this year aren’t being forced to, but rather “It’s people who are tired of losing money,” Machado said.

“I’ve seen a lot of friends and family members [quit],” he said. “I’ve seen them forced, and I’ve seen them voluntarily go.”



**Cows sold during a dairy auction Tuesday at Martin Dairy in Tipton are herded toward a truck so they can be transported to their new home. (Photo: David Castellon)**

That was the case for Christine Foreman and her six brothers who own Martin Dairy.

“It’s been a long time,” she said of the events that prompted the family to close, even though they probably could have gone another couple of years.

But they didn’t want to drain off so much equity in their land that they had nothing left, and their cattle still fetched decent prices, said her husband, Kent Foreman, who has helped run the dairy.

“Seventy years, it’s a long time. It’s like seeing your life going away,” Christine Foreman said, adding that “There’s no way we can keep it going.”

For some, there seems to be no light at the end of the tunnel for milk pricing, Kent Foreman said. “In this case, somebody took the light out, they took the fixture and boarded the tunnel up.”

And it’s not just the milk pricing at issue here, he said, noting the increasing number of burdensome and costly regulations being placed on California dairies, “and the dairymen whose making nothing has to pay for them.”

On top of that, California is usually at or near the bottom of what dairies are paid for their milk among the major milk-producing states, and the state’s new law to raise minimum wage to \$15 an hours in a few years also makes now a good time to get out of the dairy business here, Foreman said.

Then there are prices for agricultural land, which currently are high — despite some predictions of prices for ag land softening — prompting some dairy operators to sell their land while they still have equity or convert it to farm land, said Eddie Mendes, who milks about 2,000 cows on his [Lemoore](#) dairy.

He noted that a bank is far more likely to give a loan to start a nut farm than to give a loan to start a dairy.

“We figure you’re going to see more dairies shut down this year — especially what I call ‘Small mom-and-pop dairies’ like this one,” Kent Foreman said, adding that the Martin Dairy already has been leased to become a heifer ranch, where calves from other dairies are raised until they’re old enough to be impregnated and bear calves of their own, so they become milk producers.

Lynne McBride, executive director of the California Dairy Campaign, said that she sees 2016 as a potential tipping point for the estimated 1,400 dairies still operating in the state, as many owners could decide they’re done with the business or just done with California and move with their cows to states with better milk pricing and less onerous regulations.

“Our dairy producer members continue to question their future in California,” she testified last week during a hearing in Sacramento on milk pricing organized by state Secretary of Agriculture [Karen Ross](#).

Dairy operators have been working in recent years to get California on the federal milk order, in which the federal government sets prices paid for milk, which are higher in most other states.

But on average, the federal price overall has been only \$1 more than California’s price, so dairies here still would operate the red if those prices were to convert today.

Still, dairy operators here will take whatever they can get until the prices improve enough that they can be profitable again.



**An auction was held Tuesday for 750 head of cows. The family that owns the dairy opted to get out of the business. (Photo: David Castellon)**

And things could be worse, said some of the dairymen at Tuesday’s auction, noting that feed prices, which skyrocketed in recent years, actually have declined his year — enough to give some dairies enough breathing room to keep their operations afloat at least a little while longer.

As for whether any financial relief is on the horizon for California dairies, the operators here said they saw few positive signs, unless overseas exports of dry milk products increase significantly, and part of that would involve Russia ending its ban on American agricultural goods.

In the meantime, "If you look at supply and demand, it looks like it's going to be bad through the end of this year," Mendonsa said of milk pricing.

And while some experts have predicted better prices next year, he warned, "You have to remember, it's a prediction."

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